FARMERS' NEWSLETTER
Soybeans

December 80/S-15

With the 1980 harvest season virtually over, it's time to shift your attention to your marketing strategy for the soybeans still unsold and to some preliminary planning for next year's crops.

If you still have 1980-crop soybeans to sell, you'll have to decide if prices look good now or if you think they'll turn higher later on.

USDA's Crop Reporting Board has modified the January Prospective Plantings report. In the past, when 34 States were surveyed, farmers' planting intentions have been a good indicator of soybean acreage actually planted in the spring and acreage subsequently harvested in the fall.

The modified report will reflect 1981 planting intentions in only 16 States--Alabama, Arizona, Arkansas, California, Florida, Georgia, Kentucky, Louisiana, Mississippi, New Mexico, North Carolina, Tennessee, Texas, Oklahoma, South Carolina, and Virginia. The leading soybean producing States will not be surveyed.

A Prospective Plantings report for major spring planted crops for 32 other States will be released in late March. This, combined with the January report, will provide a national report to be issued in April.

The Farmers' Newsletter is written and published by USDA's Economics and Statistics Service and approved by the World Food and Agricultural Outlook and Situation Board.
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The next soybean newsletter is scheduled for early February.

So with this in mind, here are some of your marketing options:

- Sell now--this may be to your advantage if you do not own storage facilities and/or you need cash. Weigh this, and the good returns you can get on cash investments against the possibility of higher prices later on.

- Continue to store your crop and sell at intervals during the remainder of the season. You can get a CCC loan--at your local ASCS office--of $5.02 per bushel while your beans are in storage and you are awaiting market developments. Remember to figure storage costs--any rise in these costs will affect your marketing plans. The interest rate for farm facility loans made through the USDA are 12-1/2 percent.

- Forward contract some or all of your remaining soybeans. This allows you to lock in on current futures prices if they meet your

LITTLE CHANGE IN SOYBEAN ACREAGE EXPECTED

	1978	1979	1980	1981[1]
Soybean acreage (million acres):				
Planted.	64.4	71.6	70.3	70.0
Change from previous year . .	5.6	7.2	-1.3	-0.3
Soybean/corn price ratio	2.9	3.0	2.5	2.4

[1] Projected.

price expectations. This can be done by using cash contracts or by hedging in the futures market.

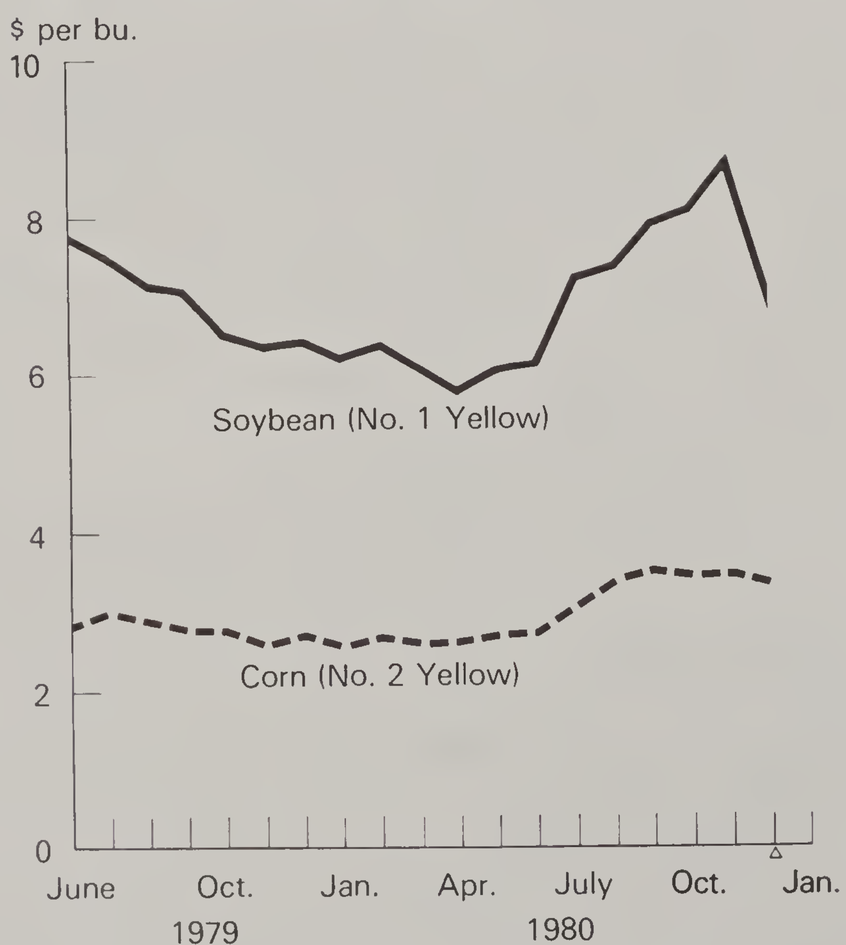
Prices To Rally in 1981

The U.S. average soybean price received by farmers advanced sharply through November, rising from around $6 per bushel in June to about $8.50 in November.

Prices fell sharply in December; however, they should rally again this winter as the U.S. soybean supply dwindles and carryover stocks drop to near minimum levels. Soybean prices usually peak in the spring, and it looks like 1981 will follow true to form.

As usual, price developments will also be affected by the outcome of South American oilseed crops (just planted), and the strength of foreign demand.

SOYBEAN PRICES TUMBLE; WILL STRENGTHEN IN 1981



ΔDec. 11, 1980 prices.

Why the Pre-Christmas Market Collapsed

As the prime interest rate climbed to over 20 percent in December and tension in Eastern Europe increased, soybean prices dropped quickly and by mid-month were about $7.50 per bushel at Chicago--down from almost $9 in mid-November. Many buyers are reluctant to hold inventories at the higher interest rates. In addition, increased Brazilian exports of soybean products have contributed to the falling prices.

Tight Supplies and High Prices Restrain Use

U.S. soybean supplies total 2.1 billion bushels compared with last year's record high 2.4 billion bushels. This year's sharp drop in production was cushioned by the 359 million bushels carried over on September 1.

The tight supply and higher prices are expected to keep soybean crushings and exports slightly below 1979/80 levels. But despite the drop in use, soybean carryover stocks next September may be drawn down to the low level of 180 million bushels, or the equivalent of about 1 month's use.

Domestic demand for soybean meal is expected to fall about 6 percent this year, reflecting fewer high-protein consuming animals and sharply higher soybean meal prices relative to corn and other feed ingredients.

Other Oilseed Crops Also Down

Soybean output, which makes up about 85 percent of U.S. oilseed production, was off about one-fifth this

U.S. SOYBEAN DEMAND IN CLOSE BALANCE WITH SUPPLY

Year beginning September 1	1978/79	1979/80[1]	1980/81[2]
	Million bushels		
Beginning stocks . . .	161	174	359
Production.	1,870	2,268	1,775 ± 50
Total supply.	2,031	2,442	2,134 ± 50
Crushings.	1,018	1,123	1,040 ± 50
Exports.	739	875	825 ± 50
Seed, etc	100	85	89
Total use.	1,857	2,083	1,954 ± 75
Ending stocks	174	359	180 ± 75
	Dollars per bushel		
Farm price.	6.66	6.25	8.60 ± 1.25
Loan rate.	4.50	4.50	5.02

[1] Estimated. [2] Projected.

season. The other U.S. oil-bearing crops also suffered substantial production declines. Sunflowers and peanuts were both off by nearly 50 percent, and cottonseed was down by about 25 percent. These short crops are leading to sharply higher prices in 1980/81 for all oilseeds and products and a sharp drop in prospective yearend stocks.

U.S. OILSEED PRODUCTION SHARPLY LOWER

Oilseed	1978/79	1979/80	1980/81
	Million metric tons		
Soybeans.	50.9	61.7	48.3
Cottonseed.	3.9	5.2	3.9
Peanuts.	1.8	1.8	1.0
Sunflowers.	1.8	3.5	2.0
Flaxseed	0.3	0.3	0.2
Total	58.7	72.5	55.4

World Oilseed Output Falls

World oilseed production for 1980/81 is estimated down about 8 percent from the record 1979/80 level of 175 million metric tons. This is the largest year-to-year decline ever recorded. It is concentrated in the United States and Canada where dry weather during the growing season sharply cut yields and harvested areas. Oilseed production was down about a fourth in both countries.

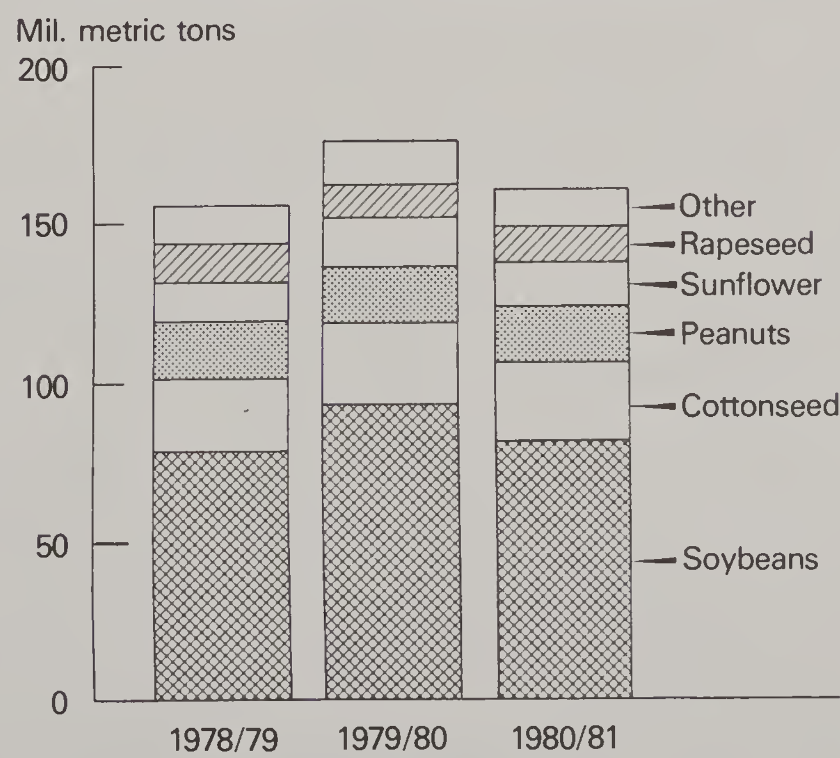
Planning for 1981

Some soybean producers may have already contracted a portion of their 1981-crop soybeans. The futures market price for November 1981 was around $8 per bushel at mid-month.

Given the uncertainties of prospective price movements, you may want to contract a portion of your planned 1981 acreage if you haven't already, especially if you are offered a price above your production costs.

Also, odds favor a sharp recovery in U.S. production of soybeans and other

WORLD OILSEED PRODUCTION DROPS



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oilseeds in 1981--if yields return to normal. However, area planted to soybeans is not expected to change much from the 1980 acreage of 70 million, since soybean prices relative to corn and other competitive crops are not so favorable.

The soybean/corn price ratio has been a good indicator of year-to-year changes in soybean planted acreage. A price ratio greater than 2-1/2 to 1 has favored the expansion of soybean plantings relative to corn. Currently, the 1980/81 price ratio is estimated at about 2-1/2 to 1 since both corn and soybean prices are up as a result of short crops.

Soybean Costs To Rise Further in 1981

The cost of producing soybeans has increased sharply in recent years. U.S. average costs in 1980, excluding land, were an estimated $132 per acre planted, compared with $115 in 1979.

A 10- to 15-percent increase in soybean costs is currently projected for 1981. Fuel, motor supplies, fertilizers, and interest rates--which led the 1980 cost increases--are not expected to rise as much in 1981. Fuel and energy costs may increase 20 to 25 percent. Chemicals and fertilizers will also be up, but not as much. Machinery prices will increase as much or more in 1981 than last year.

Per-bushel production cost increases in 1981 will be smaller than the increases in per-acre costs if yields return to normal and there are no major shocks in input markets. Soybean costs per bushel could even decline in 1981 if per-acre yields rise significantly from the 1980 drought-reduced levels.